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The Menace of Paternalism

OTTO H. KAHN

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"The period of readjustment and restoration which will follow the disorganization and destruction caused by the war will tax human wisdom to the uttermost. . . . .

Many of the fundamental principles of the present social order will be threatened; some will be changed, some discarded, while novel and possibly extravagant and dangerous doctrines will find earnest and honest advocates. With all this we must reckon."

From an address by Hon. Robert Lansing Secretary of State at Auburn, N. Y. October 11, 1918

The Menace of Paternalism

OTTO H. KAHN

An address before the Convention of
The American Bankers Association
Chicago, September 27, 1918

The Menace of

Paternalism

I

NO apology is needed, I believe, if, in this meeting of business men, I begin my remarks with a tribute to the American Army. I hope I am not usually given to boasting, but I admit that since I came back from Europe two months ago, I have been boastful, vociferously and unblushingly boastful, about our boys "over there" and their leaders.

I saw the American soldiers on the boat, in their cramped and crowded quarters, many of them away from home for the first time, all but a few

of them on the ocean for the first time in their lives. I saw them in Paris unconcernedly playing ball in the streets while bombs from long-range guns were exploding in the immediate neighborhood. I saw them at French ports, and at villages throughout the fair land of France, cheerily taking things as they came, the rough with the smooth—and there was a good deal more rough than smooth—making friends with the kids, and, especially in the case of the fair sex, with the grown-ups too.

I met them as foresters in the extreme south of France, near the Spanish frontier. I met them as engineers and in numberless other capacities and, finally, I saw them as fighting men at the front. I met many of their leaders, from their

great chief, General Pershing, down.

I saw the simply marvelous work at the French ports, in our huge camps and bases, and along our lines of communication, which these men had accomplished and were accomplishing with a bigness of vision, a boldness of planning, a directness of attack, a perfection of execution and a courageous assumption of responsibility, which would have done credit to renowned captains of industry.

Everywhere I found, amongst officers as well as amongst men, the same simple and unostentatious, yet steel-clad determination to hold life cheap for the honor and glory and safety of America. Everywhere the same eager and tireless exertion and keen, quick-witted adaptability. Everywhere the same modest and soldierly bearing, the same uncom-

plaining endurance under hardships and discomforts, the same contempt for danger. Everywhere the same note of splendid courage, moral and physical, of willing discipline and service, of buoyant good nature and humor, of clean and kindly thought and feeling.

And, gentlemen, I knew then that the war was won.

Those more competent than I will tell some day the full story of how the American Army came to reveal its fighting qualities to its valiant comrades in arms, as well as to its brutal and insolent enemy to whom that revelation came as a most unpalatable surprise.

They will tell how last March, during the gloomy days of the retreat of the British Fifth Army, six hundred American engineers, to-

gether with a number of British engineers, who had been at work behind the lines, threw away their instruments and tools, took up rifles, constituted themselves into a rampart and held the line for seven long and bloody days, until reinforcements arrived; how a couple of months later our men again showed the stuff they were made of by storming Cantigny and holding it in the face of fierce counter attacks again and again repeated by the Germans, bent on giving a stern lesson to those green and presumptuous Americans.

They will tell you the immortal story of the fighting of our marines and regulars at Chateau Thierry in the first days of June, in those dark and menacing days when the enemy had penetrated within thirty-nine

miles of Paris; how those men, hurriedly thrown into the battle, made of themselves a spearhead against which the onslaught of the Germans broke and shattered, and the tide was turned.

Since then our young army has been tested in many a battle, and wherever it has fought it has proved itself a worthy custodian of American honor and a zealous artisan of American glory.

I should like to add that in expressing my intense admiration for our army and its achievements, nothing is further from my thoughts than to take away one tittle from the immortal glory which belongs to the armies of the allied countries, nor from the undying gratitude which we owe to the nations who for four years have heroically fought the

battle of civilization—our battle from the very beginning, no less than theirs—and borne untold sacrifices with never faltering spirit.

Now, gentlemen, what is the underlying cause for the phenomenon that our boys, taken from the most diversified walks of life, brought up in surroundings and in a spirit which are the very negation of martial disposition, became in an incredibly short space of time soldiers of first rate efficiency; that our business men, farmers, mechanics, college boys are making competent, indeed excellent officers; that our West Pointers, taken from small army posts or office positions in Washington, were found qualified generally not only to command large bodies of troops, but that amongst them were discovered men fitted, when the

emergency arose, to plan and execute the business undertakings of war on a stupendous scale with a high degree of organizing and administrative ability (even though these men would be the last to dispute that a considerable share of the credit for the results accomplished is due to those who, at the very start of the war, eagerly volunteered from civil life)?

Why did our commanding officers, our engineers and others at various French ports, at our army bases, along our great line of supplies, in a strange country, under conditions entirely new to them, demonstrate the capacity of rapidly sizing up situations, of boldly meeting and overcoming difficulties, of vigorously cutting the red tape of generations, of accomplishing to the admiring

amazement of our French friends and comrades things which the bureaucratic routine of ever so many years had found itself impotent to deal with?

II

AMERICAN INITIATIVE OR BUREAUCRACY

I have heard these questions asked and debated a good many times lately both in England and France, and the consensus of replies was this:

"You in America have always been a nation of private enterprise and individual initiative.

"Your incentive has never been to get a governmental title or a bureaucratic position. Your incentive was zest and scope for doing things, the joy of creative effort, a certain crude, rough-hewn, unsystematic, but effective idealism, and also, of course, the material reward of successful achievement. You have had no caste, or fixed class, either aristocratic or bureaucratic. You have given almost unlimited, perhaps too unlimited scope to ambition, ability, force, imagination, hard work.

"Your employee of today was and is the employer of tomorrow.

"The State, far from enjoying the halo descended from kingly times of something resembling omnipotence and omniscience, and being all-pervasive in its functions, was largely limited in its activities, and you had a healthy skepticism of governmental capacity to do things well.

"Under the stimulus of these conditions you have produced a race—daring, keen, quick-witted, adaptable, self-reliant.

"The American of today, as we see him in the officers and men of your forces, and in the business men we have met, is the product of sturdy individualism."

And then the Englishman would be apt to explain that the rank and file of Britishers are also in their heart of hearts individualists and normally opposed to the undue multiplication of governmental functions.

He would not dispute that the war was bound to bring about great social and economic changes together with a tendency towards far-going radicalism and towards a general leveling, but

would maintain that the ambitious programs and sweeping pronouncements of those, largely writers, economists and theorists who ran the political end, and only the political end, of the British labor party did not represent the level-headed majority of the rank and file, and were apparently taken more seriously abroad than at home.

The Frenchman, being like most of his countrymen, something of a practical philosopher and an admirable talker, would be liable to go rather further afield.

He would point out that France has had experience of bureaucracy, governmental centralization and paternalism for several generations. They had tested that system under an autocratic regime, under a liberal monarchy, under a bourgeois republic and under a radical, and at

times semi-socialist, republic. And the conclusion was widespread that it was not what it was "cracked up" to be, failing a great organizing and vitalizing genius like the first Napoleon and that they did not like it.

That system had lamed enterprise, atrophied commercial daring, retarded the development of the country, and driven a large portion of the national wealth into speculative undertakings abroad, failing constructive opportunity for it at home.

It was largely responsible for the fact that France, naturally the richest and most abundantly endowed country of Europe, had permitted itself to be out-distanced economically and industrially by other countries less favorably situated as far as natural resources were concerned, notably Germany. It had allowed a

state of affairs to develop where but for the magnificent manifestation of the superb innate qualities of the French race which no governmental system could permanently vitiate, Germany might have come measurably near succeeding in its infernal plan to cripple France lastingly.

In Russia, bureaucracy and paternalism, plus weak, corrupt and inefficient autocracy, had led to revolution, chaos and anarchy.

In Germany, bureaucracy and paternalism plus militarism and junkerism had resulted in bringing untold misery upon the world at large and inevitable disaster in the end to the German people. And that notwithstanding the fact that not only was the German system of bureaucracy and paternalism the most efficient the world had ever seen, but that

with deep and insidious cunning it camouflaged its true meaning and purpose: It made an alliance with big business by which, in return for being left alone and, if need be, supported in its political dominion and in its particular interests, it maintained a reciprocal attitude towards the great combinations in finance and industry.

It furthered enterprise and gave liberal scope and rich reward to achievement.

Its method of dealing with labor was in part to coerce it and deprive it, by direct or indirect means, of adequate voting and political power and in part to cajole and conciliate it by apparently progressive and fair-seeming social welfare legislation.

In other words it aimed at making contented and prosperous chain-

bearers out of the German people, and at the same time—and alas! all too successfully—at substituting for their old conceptions and ideals a religion of greed, covetousness, power-worship and materialism, the deity of which was the State as represented by its ruling caste.

In short, my French interlocutors would coincide that whenever, wherever and however the system of governmental omnipotence had been tried, it had failed in a greater or lesser degree; that France had given it a sufficiently long test to be weary of it, and that after the war the tendency of the French people would be rather to turn towards individual effort and to stimulate personal initiative—fully conscious at the same time that no social order or system was thinkable after the war which

did not take complete account, sincerely and wholeheartedly, of the aspirations and just demands of the rank and file.

I should add, in order to give an entirely truthful picture, that the Englishmen whom I heard discuss this subject, were mainly business men and others whose views may have been somewhat colored because their surroundings and interests would naturally tend to make them averse to a radical change in the existing order of things.

But the French feeling as I have tried to set it forth, I heard expressed by all kinds and conditions of men—from workingmen and small tradespeople to financiers, military officers and statesmen. And it should be borne in mind that the French are endowed with the faculty of a pro-

verbially clear recognition of the realities of things and more than once in history have been the path-finders for the social and intellectual movements of the world.

On the other hand, it cannot be gainsaid that there are a good many persons in France, as in Great Britain and America, who firmly believe that the era of individualism, or as they prefer to call it, capitalism, has come to an end, and that an entirely new kind of social structure will be reared after the war.

III

THE WAR AFTER THE WAR

They are very active, zealous and eager, these militant preachers of a new day. They possess the fervor of the prophet allied often to the plausibility and cunning of the demagogue. They have the enviable and persuasive cocksureness which goes with lack of responsibility and of practical experience. They pour the vials of scorn and contempt upon those benighted ones who still tie their boat to the old moorings of the teachings of history and of common sense appraisal of human nature.

And being vociferous and plausible they are unquestionably making converts.

They are offering the vista of a catching program to the popularity-seeking politician. They are perturbing the minds of a good many who honestly seek—as every right minded man should—to bring about a better and more justly ordained world. They have not been without producing a certain effect even in high places.

Nothing is easier than to start, nothing moves faster when once started, than economic fallacies, especially when to their natural speed is added the impulse of a glittering and facile idealism which holds out to the world surcease from many of those troubles with which mankind has grappled since its progenitors left the Garden of Eden.

Nothing is harder than for sober unvarnished truth, loaded down with

the weight of the realities of existence, to catch up with those fallacies. It invariably does in the end, but meanwhile the fallacies on their long start and rapid flight may have wrought vast harm, as we have recently seen exemplified in Russia.

We hear a good deal nowadays of "The War After the War"—meaning thereby the expected economic discord and strife in the markets of the world between Germany and her vassals on the one hand and the Powers now arrayed against them on the other. That discussion, to an extent, it seems to me, is premature. Germany and those who aided and abetted her, must and will be defeated, decisively and completely defeated. The handwriting on the wall which proclaims the doom and destruction of Prussianism stands out

more fatefully and legibly every day.

The treatment to be accorded to Germany in the future will depend in part, at least, as President Wilson has indicated, upon the answer to the questions whether she will sincerely and unmistakably purge herself of the accursed spirit which has made her name a by-word and a hissing amongst decent nations, what attitude and action she will take towards those loaded down with the execration of the world who primarily personify that spirit and whether, contrite, chastened and freed from the hideous rule of a barbarous military caste, she will atone, as far as it is in the power of her people, for the unspeakable crime of the war unchained by her and the atrocious brutality of its conduct. And a like test applies to those

nations who made themselves sharers of her guilt.

But there *is* one "war after the war" for which the lines are now being drawn, and which indeed the attacking party has already started, although it was the country's general understanding that until the war against our external enemy is won, internal conflicts should be postponed: The opposing forces are, on the one side, the motley army ranging from the American variety of destructive Bolsheviks in various gradations to self-seeking demagogues, well-meaning utopianists, iconoclast theorists, intolerant and impetuous young writers strong in the assured consciousness of their mental and moral superiority, and, alas! none too rarely, college professors and other teachers generally

underpaid, frequently overworked, some rather disgruntled and acidified, others carried away by untempered idealism and inclined to take the world as a theoretical proposition rather than a stubborn fact.

Confronting that army, on the other side, stand those who believe that the accumulated wisdom of centuries of human experience is wisdom still, and who see in individualism, ordered, enlightened, progressive, sympathetic and adjusted to the changing needs and social conceptions of the age, the soundest and most effective instrument for the advancement and the happiness of humanity.

When I speak of individualism, I do not mean the harsh doctrine of the so-called Manchester school of the Nineteenth Century which, with

a somewhat naive faith in the automatic and beneficent self-regulation of human forces, bade the individual to exploit his opportunities to the unrestrained limit of his strength, and the devil take the hindmost.

Nor do I mean the picturesque, semi-romantic but socially intolerable individualism which in the pioneer period of our country's development brought forth a body of men whose daring, vision, creative energy and striving for wealth and power, strangely mixed at times with an element of idealism and emotionalism, did much to produce the tremendous epic of America's unrivalled development, but who after all were more or less industrial despots and as such—even though benevolent despots, which many of them were—rightly obnoxious to a free people.

About ten years ago, in a sketch which I wrote of that great business genius, the late E. H. Harriman, I said:

"His death coincided with what appears to be the ending of an epoch in our economic development. His career was the embodiment of unfettered individualism. For better or for worse—personally I believe for better unless we go too far and too fast—the people appear determined to put limits and restraints upon the exercise of economic power and overlordship, just as in former days they determined to put limits and restraints upon the absolutism of rulers. Therefore, I believe there will be no successor to Mr. Harriman. There will be no other career like his. The romance of the American industrial pioneer of that type ends with him."

The individualism to which I adhere, spells neither reaction nor greed, selfishness, class feeling or callousness. No less than those who carry their hearts, visibly aching for

the people and aflame against their oppressors, into magazine articles, political assemblies and upon lecture platforms; no less than those who in the fervor of their world-improving pursuit discover cure-alls for the ills of humanity which they fondly believe new and unfailing remedies but which, as a matter of fact, this old globe of ours at one time or another in one of its parts or another, has seen tried and discarded, after sad disillusionment—no less than they, are we desirous for the well-being and contentment of the masses of the people and sympathetic towards and responsive to their aspirations.

In common with all right-minded and fair-thinking men, be they employers or employees, we are ready and glad to join in every sincere effort, consistent with sane recogni-

tion of the realities of things, to make life more worth living to the rank and file of humankind. So far from obstructing, we will zealously and earnestly co-operate towards all rational measures, calculated to augment the opportunities and happiness of the mass of the people, to enhance their share of ease and comfort and of the rewards and joys of life, and to correct such shortcomings of the present social order as justly call for reform.

But we will resolutely oppose those who in their impatient grasping for unattainable perfection would make of liberty a raging and destructive torrent instead of a majestic and fertilizing stream; who out of the ingredients of sentimental and emotional fallacies mixed with the deleterious substances of envy and dema-

gogy, would concoct a fantastic political and social system; who ignorantly and arrogantly scorn the beneficent work and the wise teachings of the great architects of ordered freedom.

I suppose most of us when we were twenty knew of a short-cut to the millennium and were impatient, resentful and rather contemptuous of those whose fossilized prejudices or selfishness, as we regarded them, prevented that short-cut from becoming the high road of humanity.

Now that we are older, though we know that our eyes will not behold the millennium, we should still like the nearest possible approach to it, but we have learned that no short-cut leads there and that anybody who claims to have found one is either an impostor or self-deceived.

We have seen into what an abyss of despair and disgrace and suffering the self-constituted fanatical or corrupt guides to the millennium have plunged the people of Russia who followed them confidingly.

IV

THE INCENTIVE TO EFFORT

The individualism we believe in gives incentive to every man to put forth his best effort, while at the same time it recognizes fully the right and the duty of the State to impose upon business reasonable supervision, restraints, and regulations, to take measures destined to raise the general level of popular well-being, to protect particularly those least able to protect themselves, to prevent exploitation and oppression of the weak by the strong and to debar privilege and unfair or socially harmful practices.

And we further believe that in addition to, and over and above the

limitations imposed by the State there are restraints which a man's conscience should impose upon his actions in affairs.

Just as we heed the "still small voice" of conscience in our personal conduct, so must we harken to it and be controlled by it in our relations to Society and the State. It is not enough to be "law-honest" or "money-honest," and the obligation to make his actions square with the dictates of his "social conscience" increases in force and extent in proportion as a man's success and opportunities increase.

I believe I am not asserting an unjustified claim when I say that the recognition of the place due to the "social conscience" is getting to be more and more developed in the business community.

Few things have brought more harm upon the world than attempts, well meant or otherwise, to force mankind into ways of thought and action to which the nature of the average man or woman does not respond. I am far from undervaluing the compelling impulse of the call of duty, the joy of service, the selfless zeal on the high occasions of life, but what we are ordinarily dealing with are men's normal attitude, motives and reactions in the affairs of the workaday world.

Experience has shown and common sense observation confirms that, excepting such callings as men take up because of an "inner urge," from a natural bent or altruistic motives, or because they desire primarily position, public office, or political power, the vast majority of people

require, in order to put forth the maximum of effort and of venturing, an incentive largely, though not solely, of a tangible kind.

In an emergency, of course, at the call of the country, every right-thinking man will not only forget all thought of reward, but will be ready for every sacrifice. He will work and strive fully as hard and far harder than he would for his personal advantage and spend himself without limit, from motives of patriotism or public spirit.

But under normal conditions other incentives are needed. And it must not be forgotten that legitimate individual achievement, however gainful to the person concerned, means in the last analysis the creation of assets, tangible or otherwise, the resultants from which in various

ways redound to much the greater extent to the benefit and advantage of the community as a whole.

Just as punishment is meant as a deterrent and a corrective, so individual reward is primarily intended as a stimulant and for social utility. It is bestowed not from tender solicitude for the recipient, but because of the recognition that the exercise of his faculties is of advantage to the community.

The result aimed at and effectively achieved is to stimulate the energies required for the world's work and progress and to enhance the scope of activity of those who are endowed above the average with the capacities for producing or directing and to make that scope as near as may be proportionate to those capacities.

The opposite way, that is the

communistic method, the system of common property, of an equal task and equal reward for all alike, has been tried over and over again, and has failed invariably.

I am far from saying that material reward is the only incentive to business effort. The prospect of and ambition for attaining reputation, standing, influence, the desire to be of usefulness and service, the zest of work and strife, the joy of creative effort, the fascination of matching one's qualities of mind and character against those of others, count for much, but amongst the conglomerate of impulses which make men dare and plan and work to their utmost capacity, the hope of attaining material success is still one of the most effective. Nor is this wholly, or even mainly, a materialistic impulse.

Individualism frankly denies that the world can be run on a theory which presupposes the existence of mental, moral and physical equality between men. Equality before the law, equality of political rights—yes, equality of opportunity, as far as humanly possible—yes. But, an inscrutable Providence has bestowed upon His creatures, animate as well as inanimate, inequality of natural endowment, and from that springs and must necessarily spring inequality of results.

Abstract justice is not in the eternal scheme of things.

Why do some trees grow straight and magnificent, and others wither or are stunted? Why are some people born with vigorous constitutions or with conspicuous talents and others not? Why is Caruso gifted

with a voice which enables him to make as much money in one evening as the average artist gets for a year's work. Why do people willingly pay $10,000 or more to have a portrait painted by Sargent, when Tom Smith would gladly accept $100 for making their picture? Why are some people endowed with the privilege of understanding and appreciating art and deriving a wealth of joy, recreation and inspiration from it—a privilege which I personally would not exchange for any amount of money—and many others not?

A lady said to me the other day:

"It makes me angry that Mr. X should live in that splendid house, whilst I have only a simple flat. Such inequalities ought not to be allowed. It is not fair that he should be thus favored."

I answered:

"Is it fair that you happen to be good to look upon and bright and attractive to talk

to (which she was), whilst some others of your sex, pardon the ungallant observation, are plain or dull? Because of this gross inequality, galling as it must be to some of those less favored, do you think there should be a law providing that all women must go veiled and have other appropriate restraints put upon the power of their attractiveness?

"Do you realize that if all incomes above $100,000 were confiscated, as has been urged by some, and which in your present frame of mind you would presumably favor, the resulting sum would barely cover our war expenditures for one month?

"Do you know that if all incomes above even $10,000 were taken and distributed amongst those earning less than $10,000, the result, as far as I can figure out, would be that the aggregate income of those receiving that distribution would be increased barely ten per cent.?"

I used various other arguments and examples, not without interruption and rejoinder on her part. I do not flatter myself that I succeeded in converting her, but I believe when we parted she was a little less sure

than before that Mr. X ought to be turned out of his fine house forthwith.

The sound common sense of the plain people, healthily skeptical of the fancies and theories of "advanced thinkers" or the catch-phrases of agitators, may be trusted fortunately to look through the folly of attempting to force into a mold of equality that which nature has not created equal.

Watch a gang of laborers at work and see with what lack of ceremony the foreman deals with the subject of abstract "equality."

The "directive faculty," the quality of leadership in thought and action is not only one absolutely needful in all organized undertakings, great or small, but it becomes increasingly rare and, consequently,

increasingly more valuable as the object to which it addresses itself increases in size, complexity and difficulty.

How much in dollars and cents, not to mention in comfort, enjoyment and contentment, is it worth to the people that Mr. Ford's "directive faculty" in organizing and manufacturing has brought the automobile within reach of those with modest incomes?

Even Lenine, that sinister arch-apostle of enforced equality geared to the standard of the lowest level of class selfishness, made the following admission in an official pronouncement to his followers, in April last, embodying one of the lessons which he has learned in the sixth month of his disastrous and blood-stained rule: "We must purchase the services of a

thousand first class scientists, specialists and managers, and even though we pay each of these capitalist stars 25,000, 50,000 or even 100,000 rubles a year, they will be cheap at that price."

I have complete confidence in the sober common sense of the American people. I believe that when they have been placed in possession of adequate information, when the pros and cons of a proposition have been fully discussed before them and by them, they can always be relied upon to reach sound conclusions. I am convinced that, while earnestly and determinedly contending for social justice and progress and the greatest attainable diffusion of well-being, contentment and opportunity, they are not prepared to abandon the principles and underlying features of

a governmental and social system which has created out of the heterogeneous elements of our population a strong and great, self-reliant and enterprising race and procured for the people prosperity and other advantages superior on the whole to those possessed by any other nation.

They will not, I feel assured, permit Americanism to be adulterated by a spirit or by methods having kinship to either world-destructive Prussianism or self-destructive Russianism. They will not, I am certain, cast aside knowingly the theories and principles of institutions which we inherited from the wisest and most enlightened body of men that ever met in deliberative assembly and which are the envy and admiration of the world, in exchange for a regime of bureaucracy, paternalism,

socialism or bolshevism.

And these institutions, the most perfect embodiment ever conceived of a true and workable democracy, are based upon the great principle of individualism because the illustrious men who framed our fundamental instrument of government were led by a deep insight into and a wonderfully sagacious recognition of the trend of human affairs and the springs of human actions.

They indeed made America "safe for democracy." Let us beware lest in aiming "to make the world safe for democracy" we permit the safety of democracy in our own land to be jeopardized by having the foundations tampered with on which it has rested for a century and a half. By all means, let us be open to new ideas, let us go forward and strive to realize

what formerly were considered unattainable ideals, but in boldly venturing forth upon uncharted waters do not let us throw overboard the compass of immutable principles.

V

THE MENACE

The menace which I see is not in the deliberate will of the people, but in the fact that under the emotional stress of war, under the patriotic impulse of the time, under the actual or fancied necessity of the war situation tendencies are tolerated and modes of thought and action permitted to gain a footing unopposed, which are apt to create very serious problems upon the return of normal conditions.

That menace is aggravated by the fact that from a thoroughly laudable and patriotic desire to sustain the Nation's spokesman and chosen leader in the formidable difficulty

and responsibility of his task of conducting the war, we are all reluctant to raise controversies, and most of us would rather swallow our convictions in silence, at whatever discomfort to our mental digestive apparatus, than place ourselves in the position where our patriotism may be doubted or our motives suspected to be those of a selfish concern for our individual or class interests, in a time when selfishness is almost treasonable.

In what I am going to say I wish very distinctly and earnestly to disclaim any intention of criticising our present Government. It would be most unbecoming and improper to do so before this non-partisan gathering in which politics can have no place.

What I mean to bring out is not

any sins of omission or commission of the present Administration, but unavoidable frailties and shortcomings which are inherent in the very essence of all government and which emphasize the need, particularly in a democracy, of confining the business functions of government to activities which private enterprise cannot undertake equally as well as or better than the State, or which, in the interest of the maintenance of free institutions, private enterprise ought not to be permitted to undertake.

Liberty necessarily limits governmental efficiency. That is part of the price which we pay for freedom. We do not begrudge the price. We are prepared to pay any price for the supreme blessing of being free men—if necessary, even the price of our lives, as many of those did who

procured for us the great legacy of liberty. But why unnecessarily bid up the price against ourselves by extending the scope of governmental activities beyond the field which naturally belongs to them?

Government, in its very essence, is the negation of competition. It is, by the very fact of its being, whatever its name or kind, the monopoly of monopolies. It cannot but be affected with those shortcomings which spring from the absence of competition and the exercise of monopoly.

Why, then should a people which rightly discountenances monopoly and rightly believes in the principles of competition, enlarge the operations of governmental agencies further than is required for the recognized purposes which a

free government is meant to serve?

In saying this, I do not fail to recognize that certainly during the period of reconstruction, and probably more or less permanently, both here and in Europe, the scope of State activities is bound to increase and must concern itself with, and intercede in, matters which heretofore were left entirely to private enterprise.

But this concern and intercession should be such as not to eliminate, or lame, private enterprise, but to make it more effective. In this respect we might learn from the enemy through a careful study of the methods followed in Germany before the war, some of which are worthy of adaptation whilst others must be rejected as being in contrast with our conception of right and morality.

Nor do I fail to recognize, but, on the contrary, I welcome unreservedly —as I am sure we all do— the prospect that in the times which will follow the profound upheaval of the war, the standard by which men will be judged and rewarded will be, more strictly, exactingly and far-reachingly than heretofore, that of work done, duty performed, service rendered. The world will have no place for idlers and social slackers. Rank will reside not in birth or wealth—neither, I trust, will it reside in an office holding caste—but in useful achievement.

The tremendous event of the war will not leave the world as it found it. It will never be quite the same again. To the extent that social and economic institutions, however deep and ancient their roots, may be found to

stand in the way of the highest achievable level of social justice and the widest attainable extension of opportunity, welfare and contentment, they will have to submit to change. And the less obstructive and stubborn, the more broadminded, co-operative and disinterested those who pre-eminently prospered under the old conditions will prove themselves in meeting the spirit of the new day and the reforms which it may justly call for, the better it will be both for them and for the community at large.

VI

SOCIALISM

All extremes meet, as the French saying is. From governmental paternalism to socialism is not a very long step. To enter into a discussion of the fallacies of socialism or of its limited form, known as state socialism, would take far more time than even your kindly indulgence would grant me. Suffice it to say that the discoverer of the socialistic creed was a German and that it bears all the earmarks of the German passion for cataloguing and scheduling and ordering men and things in a rigid and cast-iron way.

It is characteristic of the German trait of looking upon human beings

mainly as state material, of failing to appreciate and respect the passion for freedom among men and nations, and of the German's fundamental lack of enlightened insight into the currents of human nature, especially non-German human nature—which national defects are amongst the principal actuating causes that led Germany to look upon this war as a winning venture instead of recognizing it as the colossal crime which it is and the equally colossal folly which it was bound to be for Germany in its ultimate consequences even if it ended in victory instead of, as it will, in defeat.

It would be futile to deny that some of the credit for the advance which has been made in the last half century, through legislation or otherwise, towards social justice and to-

wards the amelioration of conditions which the conscience of the world ought never to have tolerated, belongs to socialist suggestion and agitation.

To the extent that aims and measures advocated by Socialism may still be found to make for the promotion of public welfare as distinguished from selfish and narrow and ill-conceived class interest, they will not fail to achieve recognition. It would be equally futile to shut our eyes to the fact that not a few of the dangerous and insidious fallacies of Socialism have taken root amongst sections of the American people, which are far from subscribing to its program as a whole.

These fallacies present an issue which will have to be squarely met and I believe can be successfully

met, as the kindred fallacy of free silver was squarely and successfully met.

But I see all the less reason for testing your patience with a general discussion of Socialism, as I am convinced that we are not now confronted with the serious possibility of the approval by the American people of the tenets and the program of regular Socialism, as expounded by its recognized leaders whom the test of war has exposed as utterly un-American, to say the least.

It is true that a good many—indeed too many—of the fraternity of "intellectuals" for a variety of reasons, some deserving of respect and some less so, are flirting with or have succumbed to Socialism, and that too many of our youth in institutions of learning have sur-

rendered to its seductive appearance, but the bulk of our people recoil from it and the large majority of those composing our labor unions, under the leadership of Mr. Gompers, have recognized it for the outlandish thing it is and have rejected its blandishments. As Mr. Gompers finely said in one of his speeches a number of years ago:

"I want to tell you Socialists that I have studied your philosophy; read your works upon economics, and not the meanest of them; studied your standard works both in English and German—have not only read, but studied them. I have heard your orators and watched the work of your movement the world over. I have kept close watch upon your doctrines for thirty years; have been closely associated with many of you, and know how you think and what you propose. I know, too, what you have up your sleeve. And I want to say that I am entirely at variance with your philosophy. I declare it to you, I am not

only at variance with your doctrines but with your philosophy.

Economically, you are unsound; socially, you are wrong; industrially, you are an impossibility. . . ."

No lightning will come, I believe, out of the thundercloud of *real* Socialism, for the present.

VII

PATERNALISM

The menace, however, of bureaucratism and semi-socialistic paternalism with their insidious effect upon the very fibre and marrow of the race, confronts us *now*, and it is none too early, even in the midst of the all-absorbing drama of war, for business men to take a stand against their perpetuation in times of peace.

Our British business comrades have pointed the way. Let me quote the following passages from a public pronouncement recently issued in London:

"The sure and certain result of the present policy, if persisted in, will be neither more nor less than the utter ruin of the established

business of a very considerable section of the community, a section noted for its energy and enterprise, and the jeopardizing of our whole foreign commerce by the deliberate scrapping of the organizations of proved efficiency and adaptability through which it has hitherto been conducted, and the substitution for these of an immense bureaucratic organization, which will certainly kill all individual initiative and enterprise. . . . .

"The Iron, Steel, Tinplate, and Metal Merchants of this country, recognizing the serious state into which the nation's trade is surely drifting, have formed themselves into a Federation. . . . They invite the other classes of the merchant trading community to form similar federations with the same objects. . . . .

"They consider that these Government departments, which were set up for war conditions only (and which would not otherwise have been tolerated for a week), desire, if possible, to perpetuate their existence, and if they are allowed to have their way now they will wreck the whole system upon which our world-wide trade has been built up and established."

It may be stated as an axiom that

while bureaucracy and efficiency may go together under an autocratic regime, it is impossible in the very nature of things for bureaucracy to go together with efficiency in a democracy. Nor, indeed, can paternalism and liberty exist side by side.

"But how do you reconcile," I may be asked, "this statement with what you said a little while ago about the marvelous efficiency of our democratic army?"

My answer is that the efficiency of the army is not a contradiction of, but a confirmation of my thesis, because the army in war times is and must be organized and administered upon an autocratic basis. Obedience, discipline, esprit de corps, unquestioning submission to established authority, complete merging of self in the task on hand are of its very

essence. Promotion is according to merit, selection according to qualifications, political pull and interference are conspicuous by their absence. Were these things not so, the army could achieve little, whatever the bravery of all ranks.

Will any one say that this is a picture of the habitual frame of mind and disposition of our civilian population or of the practices of our Government, Democratic or Republican, in ordinary times?

We all know it is not, and it never will be a life-like picture of us in our normal state. "Never" is a big word, but if the experience of many centuries may be taken as a guide, it may safely be applied to certain essential qualities of human nature, excepting temporary conditions when, under the impulse of a great emer-

gency, the floodgates of what is highest and noblest in man are opened and the mighty current carries us along to regions not ordinarily within our power to attain.

What are the elements which compose our governmental agencies—executive, legislative and administrative—including those instruments of government which of late years have become more and more numerous and important, i. e., Commissions and Boards?

Far be it from me to wish to reflect upon the ability, the character and the motives of our public servants in general. Indeed it is my conviction that, generally speaking, their standard of capacity, industry, devotion to duty and conscientious effort to seek the right and to promote the people's welfare is deserving of a

good deal more recognition than is usually accorded to it.

But, surely, no candid estimate would claim, that acquaintance with, and experience in, handling large business affairs—let alone international business affairs—are prevalent in normal times among those in executive, legislative and administrative positions in our country.

Now, you and I, who are trained in business, have all we can do to conduct our respective concerns and personal affairs with a fair measure of success. On what ground, then, can it be assumed that by becoming endowed with the dignity of a governmental appointment, men of average or even much more than average ability will develop the capacity to run successfully the huge and complex business undertakings which the

devotees of paternalism would place in their charge?

I know, of course, the arguments of the preachers and prophets of governmental assumption of divers functions heretofore belonging to private enterprise. I know their denunciation of what they consider the selfishness, the greed, the oppression, the economic waste and social injustice of the established order of business, and the sweeping conclusions they draw from the scandals or abuses which, from time to time, in sporadic cases, have unfortunately demeaned the conduct of such business.

But granting some, granting, for argument's sake, many or even all of their allegations, would a regime of paternalism and bureaucracy afford the remedy? Do they find support in

history, ancient and modern, for their plea? Have our city administrations, for instance (and to run a city is essentially little different from running a business organization) been such as to show superiority over, or equality with, private enterprise?

Has the management of our postal department, which is purely a business proposition and an easy one at that? Is it conceivable that an army of Government clerks such as a bureaucracy would have to create, with its deadening routine and its absence of incentive, could come anywhere near equalling in efficiency and initiative the private employees stimulated by the inevitable and never-ceasing search and demand for capable men which is bound to bring the ablest to the top in private business and to reward them

with position and compensation?

Has our civil service brought men to cabinet or other leading positions as the great majority of our leading men in business have risen from the ranks?

Has the State anywhere or at any time produced results comparable with the best of those produced by private effort, taking into account both efficiency and economy? Have its officials shown themselves amenable to new ideas? Have they encouraged or even recognized new inventions? Have they fostered initiative?

I do not wish to weary you with a string of similar questions which could be prolonged to almost infinite length, and the answer to all of which is emphatically "No."

Bureaucracy is either wasteful,

stagnant and inefficient or, when it is efficient, as in Germany, ruthless in its methods, obnoxious in its spirit, and morally poisonous in its effect. Bureaucracy resents progress, vision and innovation because these are disturbing and antagonistic to the very essence of its being—routine.

An English writer has pointed out the characteristic fact that Columbus was disbelieved, turned down and sneered at by all the bureaucracy of his day and country, and that it was two private patrons who enabled him to realize his vision. Bureaucracy has hardly changed since then in its essentials.

In our own case the soil for the growth of the noxious weeds which spring from the seed of bureaucracy is particularly fertile, for a variety of reasons. One of them consists in

the fact that our capital city is not, as are the other principal capitals of the world, a great commercial city, but is located on a back-water, so to speak, away from the great and fast flowing currents of commerce and industry and their attendant activities, and out of contact with the doers of things.

The result is that Washington is heavy with the atmosphere of politics and pervaded, as no other capital I know, with the spirit and the very odor of things governmental. We are all more or less creatures of our surroundings, and instances will occur to most of you of the changes which the atmosphere of Washington has wrought upon men whose mental processes and tendencies of thought and action we thought we knew thoroughly well

and whom we believed proof against such influences.

Another thing, more or less peculiar to our political ways and fatal to the attainment of governmental efficiency of a high order, is the custom of changing officials with a change of administration. Of course, a great many Government employees are protected in their tenure by civil service rules, but a considerable number—and those the most important ones—are not.

Moreover, because of the lack of scope for their ambitions, the insufficiency of material incentive, the vexations of red tape and because of sundry other reasons, it is a well-known fact that, generally speaking, except in the army and navy, many of the best men do not remain in the Government's service

for any great length of time, while the less competent, and particularly the least competent ones, hang on forever, snugly fixed in a governmental berth.

It is precisely the reverse of the ways of private business, these ways being continuity of direction and policy, incentive and reward and permanency of tenure for the man of ability, and weeding out of the incompetent ones.

A characteristic instance of the protean changeableness of governmental bodies is afforded by the Federal Trade Commission. This institution, which was created but four years ago, is charged with functions for the effective fulfillment of which stability of personnel and consistency of policy and program are absolutely essential.

Yet, not a single one of the original appointees remains today on the Commission. Its policy, methods and conceptions have been utterly and radically reversed in the space of a few years. Under its original chairman, it had the confidence, good-will and respectful following of the business community in its constructive and helpful work.

What the sentiments of the business community are, in respect of the activities and the personnel of the Commission as now constituted, is plainly set forth in the recent memorandum on this subject addressed to President Wilson by the Chamber of Commerce of the United States.

An American bureaucracy, if paternalism were to be permitted to strike root in our country, having the center of its being in Washington,

would be apt, therefore, to become a most characteristic sample of the foibles, defects and drawbacks which the bureaucratic species is heir to.

Even under existing conditions, with the quickening effect of war upon administrative activity, the time and effort spent by business men in travelling to what for the present has become the center of all dispensations — Washington,— in hanging around departmental bureaus, seeking the man or the committee authorized to make decisions, trying to get attention and action, and so forth—amounts to an appalling total of lost energy. A recently published report by one of the Senate committees contains the following passages, descriptive of the workings of bureaucracy:

". . . . functions, ill-defined, conflicted with or overlapped each other. Contractors, inventors, material men, every one having business, ... directed from one official to the other, could not well transact their business and secure results with directness and efficiency. *While this condition seems to be inseparable from official business routine in Washington, etc.* . . . ."

As bearing upon the question of transferring business functions from private control to Government control, I need hardly enter into the subject of the vastly increased cost which such a transfer would involve, because governmental extravagance and costliness of method have become proverbial.

It was Senator Aldrich—a man in the habit of weighing his words—who said, on the strength of many years' experience with, and observations of, public affairs, that if our governmental expenditures could be

administered on the principles and methods prevailing in private business, the cost to the people could be reduced by two hundred million dollars per year. Bear in mind that this was said at a time when our expenditures were normal, and then apply it to expenditures immensely enlarged.

VIII

THE NEED FOR SOBER REASONING

To win the war and to deal with the problems incident to, and resulting from it, bravery and patriotic devotion alone are not sufficient. Reason must check emotion, reflection must curb impulse. Sober and earnest thought is called for and the moral courage to speak one's convictions, with the sole limitation that they must be the convictions of a loyal American and not such as are calculated when uttered to give aid and comfort to the enemy and as tend to weaken the nation's war effort and determination to achieve complete victory.

It is easy to float with the prevail-

ing surface currents of the day, and tempting to attune one's utterances to sentiments which are sure to meet with popular applause. But the value of an exchange of views lies in the difference of views honestly held and presented. It is through free discussion, through the meeting of conflicting opinions in the public forum, that the truth is sought and ascertained in a republic.

And Truth is a stubborn and exacting thing. She will respond neither to the stormy wooing of the visionary nor to the more subdued call of selfishness.

We business men shall not be accused of following visionary aims. Nor, on the other hand, are we any more selfish than is inherent in the imperfections of average human nature. But what the time im-

peratively calls for is that we rise above our normal selves, that to the best of our conscience and ability we cast aside self-interest and class interest and that we merge ourselves in the great and high task to which the nation has set its hand.

It is with a full appreciation of this obligation resting upon every one of us—and especially those of us who for the moment are permitted to speak publicly to and for business men—and with an earnest desire to meet this obligation to the best of my conscience and judgment that I have reached the views and conclusions which I have ventured to express before this influential body.

The other day, I heard a distinguished labor leader pronounce a statement which, as far as I have retained it in my memory, runs as follows:

"I have always done, and shall always do my utmost to bring about the maximum of democracy, of social justice, and of opportunity for all and to establish the very best possible conditions for the masses of our people, to the extent that these things do and can conform to the practically attainable at the time without doing more harm than good. To the extent that they are not so attainable, I am willing to discard them or defer them to a more propitious time."

I wholly subscribe to that and I do not see how any genuine adherent of democracy and well-wisher of humankind can fail to subscribe to it.

A few days later I came across an article by that gifted and clear-thinking statesman, Senator William E. Borah, in which, referring to tendencies which would make of the United States "a Republic in form but a bureaucracy in fact," he uses the following language:

"It may be possible to devise some system

of government more deadening to individual initiative, more destructive to human progress, more burdensome to the people than a bureaucracy, but so far God, in His infinite mercy, has not permitted it to curse the human family. Up to date, the worst of all forms of government is a bureaucracy."

And to that also I subscribe.

Gentlemen, the picture of bureaucratic paternalism fastening its shackles upon a nation, which went to war to preserve liberty, is not a fanciful one. Through the accident of war, paternalism at present rules supreme. That is inevitable in war time.

The one and supreme task before the nation is to win the war. No personal or business consideration must be permitted to stand in the way of the necessities of that task, and no one must for one moment hesitate to submit to them.

We are not criticizing or complaining of the present facts, we are thinking of the future. Officialdom is in possession. It is entrenched in power beyond what it dared to hope for in its fondest dreams. And power is sweet. Officialdom and those who feed at its table will not easily give it up. It is but human nature that they should come really to believe and endeavor to induce the people to believe that it is for the best to leave in the Government's charge permanently much of that which has been confided to it in the stress of the emergency of war.

Bureaucracy has, and will have, an array of plausible arguments to support its plea. I heard a Government official exclaim dramatically in the course of a speech before a great meeting:

"If such and such a measure is good enough for us to adopt in war times, when our sons and brothers are offering their lives abroad, why is it not good enough for us to continue to have in peace time, when our sons and brothers will again be leading their lives in our midst?"

The answer is, of course, that war is, fortunately, an utterly abnormal condition and that much of what is appropriate and needful in war times is inapplicable, harmful and even pernicious in peace times. But the answer was not given, and the orator's question was greeted with approving applause.

Paternalism, under a variety of names and disguises, will have the support of the vast army of those who live or hope to live on its huge patronage. It will have the support of the popularity-seeker, the opportunist and the demagogue; of many

who are rightly desirous to further social justice, but do not go to the effort of painstakingly studying and critically examining in the light of reason and experience, the ways and means which are available to that end "without doing more harm than good," and of some who are moved by envy (consciously or, more often, unconsciously) towards those who have been materially successful.

It will have the support of numerous dwellers in air castles who want to see the world regulated and ordered after the pattern of their dreams, and of the socialist who sees in the assumption by the Government of various functions heretofore left to private enterprise, and of various regulating activities heretofore left to the free play of economic forces, the first step towards the

adoption and realization of his full program.

The movement will be countenanced by many who do not sufficiently appreciate, in the face of the lessons of all history, ancient and modern, that the only free government which ever has lasted, or ever can last, was and is a government which gives the broadest scope to the individual, limited only by equally broad but wisely conceived regard for the general welfare.

Liberty means neither uniformity nor the rule of mediocrity. Liberty is strong enough and conscious enough of its strength not to fear but to foster individual capacity. If political liberty is not the sum of individual liberties, fairly ordered and reasonably restrained, it is not liberty at all.

It would be a tragedy, if it were to be permitted that whilst our boys are fighting for liberty, the great and splendid structure of ordered and enlightened freedom and covenanted individual rights, which was handed down to all Americans should be invaded by that most insidious foe of liberty, paternalism, with its allies and close relatives, bureaucracy and socialism.

It would be a grievous affliction if under the emotional stress and turmoil produced by war, our people were to tolerate doctrines to take a footing on our soil, which their sober wisdom heretofore has scornfully rejected as will-o'-the-wisps and as un-American.

It would be bitter irony of fate if whilst democracy triumphed on the bloody fields of war over that arch representative of the paternalistic

system and spirit, Germany, our own governmental and social conceptions and practices were to be infected with the Prussian poison of paternalism and bureaucracy.

The illustrious men who founded the United States of America gave us the wisest instrument of government which the wit of man has ever devised. Gladstone called it "the most wonderful work ever struck off at a given time by the brain and purpose of man." A great British jurist referred to it as "the bulwark of American individualism." Faith in individual effort, and the aim to give it incentive and protection are of its very warp and woof.

Under that instrument this Republic, through test and trial and storm, has lived for near a century and a half—a space of time far longer than

any other genuine republic has ever endured. While prospering materially beyond all parallel, it has maintained high and noble ideals. While devoted to the arts of peace, it has preserved its sturdy virility and, whenever called upon, has splendidly demonstrated its undiminished martial prowess. It has been the land of opportunity, beckoning to and drawing hither men and women from all countries of the world.

We do not pretend that it has achieved perfection in its social conditions, we earnestly desire ever further progress towards that end, but we do claim that it has offered and offers to the masses of its people a fairer and larger field and more of reward and of well-being than exists anywhere else.

Gentlemen, it is the task and the

duty of all men and women having a stake, material or spiritual, in the present and future of the nation, to resist those who would remove or loosen the cornerstone on which our institutions rest—individual effort. And amongst those who are called to that task and that duty, the business men of America have a leading place.

We yield to none, either in the intensity of our patriotism or in the earnestness of our desire to bring about the greatest attainable well-being for all the people. We look ahead, after victory and peace shall have been achieved, to a forward movement, to an ever more widely diffused prosperity, to opportunities and achievements in the field of the material as well as of the ideal, such as has rarely fallen to the lot of any people, provided always that our

country remains steadfast to its tried and tested principles and time-honored traditions, wisely and fairly and progressively adjusting their application to the needs of the day.

To that end, we must stand together, counsel with each other and work together. We must give voice to our convictions. We must become a militant phalanx in the cause of that which we profoundly believe to be right and wise and just and making for the greatness of America and the happiness and welfare of her people.

We are living in a portentous time, big with the destiny of the world, for good or ill, for generations to come. The problems of the immediate future loom large before us.

That nation which will best know how to combine the dictates of social justice with incentive and protection

to individual effort will secure the prize of world leadership no less than of opportunity, well-being and contentment for the masses of its own people.

Some fifty years ago, President Lincoln addressed these words to Congress:

"You cannot, if you would, be blind to the signs of the times. I beg of you a calm and enlarged consideration of them, ranging, if it may be, far above personal and partisan politics. . . . So much good has not been done, by one effort, in all past time, as in the Providence of God it is now your high privilege to do. May the vast future not have to lament that you have neglected it."

Our collective responsibility as well as the responsibility of each patriotic and thoughtful American is heavy indeed in the face of the times and the signs of the times.

Well may we pray that the spirit

of that noble invocation and the tolerance and moderation, the deep human understanding and wise, dispassionate vision of the immortal American who uttered it, may lead and inspire the American people and those constituted by them in authority, in the trials of the present and the perplexities of the future.

Well may we pray that we be vouchsafed the guidance of that spirit both in the solemn days of sacrifice and consecration through which we are passing, and in the high task of making fruitful, for the good or our own country and of all the world, the victory and the triumph which will crown our righteous cause.